

CelcomDigi (CDB MK)

Shift from Integration to Operational Efficiencies In 2026

Highlights

- 2026 synergistic savings will stem largely from lower cost of sales, lower rental charges and savings from retail consolidation, traffic optimisation and contract negotiations. Capex avoidance will fall from 63% (of synergistic savings in 2025) to 12% by 2026. By 2027, the steady state of savings could reach up to RM700m-800m.
- We project a relatively robust three-year earnings CAGR of 9% (2025-27) with 2026 projected earnings growth of 18%.
- Maintain BUY with a DCF-based target price of RM4.20.

Analysis

- **2026 focus: Shift to operational efficiencies.** 2026 synergistic savings will stem largely from lower cost of sales, lower rental charges and savings from retail consolidation, traffic optimisation and contract negotiations. Capex avoidance will fall from 63% (of synergistic savings in 2025) to 12% by 2026. In essence, savings from capex (non-recurring) has reached maturity as contracts and operations are consolidated. To recap, in 2025, network integration and modernisation was over 90% completed and IT consolidation is over 80% completed with the CelcomDigi app serving as a primary digital touchpoint.
- **RM700m savings by 2027.** This suggests that by 2027, the steady state of savings could reach up to RM700m-800m after three years of integration efforts. Rental costs will further decrease over the years as contracts expire and site rationalisation takes effect. A decrease in cost of sales and lower rental will account for 51% of cost savings by 2027-28.
- **18% yoy earnings growth for 2026 driven by realisation of integration savings.** We project a relatively robust three-year earnings CAGR of 9% (2025-27) with 2026 projected earnings growth of 18%. This will be driven by integration savings and more importantly, a potential ARPU uplift in the consumer business. In 3Q25, ARPU remained stable for consumer postpaid (RM60/month) and prepaid (RM28/month). CelcomDigi reiterated that it will focus on stabilising and lifting ARPU going forward, especially with the introduction of its new CelcomDigi App. This enables the group to execute its strategies, particularly upselling into higher-tier data and speed plans and cross-selling (streaming services and fibre bundles). It also serves as a customer retention tool, allowing users to personalise features to meet individual needs.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	12,682	12,679	12,195	12,228	12,320
EBITDA	6,222	6,159	5,662	5,800	6,213
Operating profit	2,757	2,648	2,924	3,243	3,523
Net profit (rep./act.)	1,551	1,390	1,744	2,065	2,273
Net profit (adj.)	1,552	1,749	1,744	2,065	2,273
EPS	13.2	14.9	14.9	17.6	19.4
PE	24.7	21.9	22.0	18.6	16.9
P/B	2.3	2.4	2.4	2.4	2.4
EV/EBITDA	8.2	8.3	9.0	8.7	8.0
Dividend yield	4.0	4.4	4.5	5.4	5.9
Net margin	12.2	11.0	14.3	16.9	18.4
Net debt/(cash) to equity	76.6	79.1	78.5	75.2	70.0
Interest cover	3.8	4.3	4.1	4.4	4.6
ROE	9.4	10.8	10.8	12.7	14.0
Consensus net profit	-	-	1,678	1,871	2,057
UOBKH/Consensus (x)	-	-	1.04	1.10	1.10

Source: CelcomDigi, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM3.27
Target Price	RM4.20
Upside	+28.4%

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	CDB MK
Shares issued (m)	11,731.5
Market cap (RMm)	38,362.0
Market cap (US\$m)	9,418.6
3-mth avg daily t'over (US\$m)	3.3

Price Performance (%)

52-week high/low				RM4.00/RM3.19
1mth	3mth	6mth	1yr	YTD
(0.3)	(10.7)	(16.2)	(11.6)	2.5

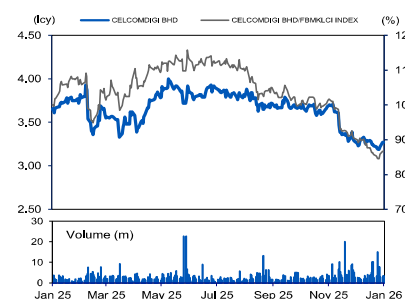
Major Shareholders

	%
Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund	10.9

Balance Sheet Metrics

FY25F NAV/Share (RM)	1.38
FY25F Net Debt/Share (RM)	1.08

Price Chart



Source: Bloomberg

Company Description

Mobile operator in Malaysia, providing 4G and 5G services.

- Navigating the saturated consumer market.** CelcomDigi is directing resources towards customer retention through its various plan offerings, bundling and convergence strategy. This is primarily driven by its flagship CelcomDigi One convergence plan and family plans, which have delivered encouraging new customer acquisitions and meaningful plan upgrades among existing subscribers. The group is also actively reviewing its product offerings to pivot away from lower-margin segments and drive adoption of higher-margin products, which we believe will further enhance the quality of subscriber acquisition and improve retention. These initiatives delivered robust subscriber growth across postpaid (+300,000 yoy) and home & fibre (+100,000 yoy) in 9M25, while average revenue per account (ARPA) expanded 7% yoy to RM108.60, signalling a clear progression towards a higher-value customer base and enhanced margins.
- Capex outlook.** Management has guided for 2025 capex intensity to hover around the lower end of the 14-16% guidance, contributed by its capex optimisation exercise, and expects capex intensity to trend lower in the near future, given that the majority of IT consolidation costs have already been incurred (2024: 19% capex intensity). Future capex spending will be directed toward 4G network enhancements, with emphasis on network quality over incremental coverage expansion, as coverage of populated areas (CoPA) has already surpassed 98%. However, the risk of an increase in capex intensity remains, with greater clarity expected upon the completion of MOF Inc's exit from Digital Nasional Berhad (DNB).
- One-off IT-related opex to increase in 2026.** As CelcomDigi consolidates its enterprise resource planning (ERP) and billing systems into a new integrated platform, the group is required to maintain the existing platform while concurrently operating the new IT system until the major data migration is finalised by 2026. The cost primarily comprises software licenses necessary to operate the IT systems, which will be accounted for as one-off integration expenses in 2026. Moving forward, management is expected to provide guidance on these one-off costs, which are anticipated to taper off in 2027.

Valuation/Recommendation

- Maintain BUY with a DCF-based target price of RM4.20.** At our fair value, the stock trades at +1SD 2025F EV/EBITDA of 10.9x. CelcomDigi remains on track to achieve its synergistic target of RM700m-800m in annual cost savings beyond 2027.

Earnings Revision/Risk

- No changes to earnings.
- Potential 6-10% earnings drag from the new DNB ownership structure.** We expect DNB to operate at a loss in the foreseeable future, with an estimated net loss of RM1b in 2025 that should narrow to RM431m in 2027. CelcomDigi's 2026 and 2027 net profit are forecast to be adversely impacted by 10% and 6% respectively.

Share Price Catalyst/Risk

- CelcomDigi to end 2025 with an elevated effective tax rate and higher bad debt provision.** The group has guided for an increase in bad debt provision rate to 3.5% for 2025 (historical run rate: 3.0%), citing inherent weakness in its debt collection process. This led to a RM44m bad debt provision expense being recorded in 3Q25 to reflect its ageing receivables and rectify previous accounting misstatements. To add, CelcomDigi is also expected to incur a higher effective tax rate of around 28% in 2025 (2024:

Performance Guidance For 2025

2025 guidance	
Service Revenue	Low single-digit growth.
EBIT	Low to mid-single digit growth.
Capex intensity	Around 14-16% of total revenue, focusing on enhancing IT platforms as part of integration cost.

Source: CelcomDigi, UOB Kay Hian

Current Spectrum Portfolio

Band	Remarks
900MHz	2 x 15MHz
1800MHz	2 x 40MHz
2100MHz	2 x 20MHz
2600MHz	2 x 20MHz
Total	190MHz

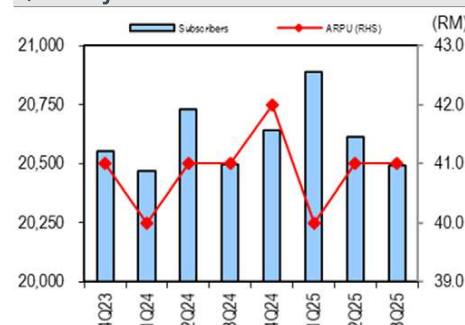
Source: CelcomDigi

Rm700m-800m Steady-State Opex Savings After 2027

(RM'm)	FY23	FY24	YTD25 (Jan to Sept)	TOTAL (Jan to Sept)	On track to achieving 2027 expectations:
P&L SAVINGS	157	345	119	621	Steady-state savings ~RM700m to ~RM800m
CAPEX AVOIDANCE	209	1,380	205	1,794	NPV Synergies ~RM8b to ~RM10b
Total Gross Synergy	366	1,725	324	2,415	

Source: CelcomDigi

Quarterly Blended ARPU And Total Subs



Source: CelcomDigi, UOB Kay Hian

20%) due to elevated non-allowable expenses incurred, arising from purchase price adjustments and losses from subsidiaries.

- **CelcomDigi to fork out RM327.9m to acquire a third of MOF Inc's stake in DNB.** Following the put option exercise notice by the Ministry of Finance Inc (MOF Inc) to sell its 41.67% stake in DNB, CelcomDigi, Maxis and YTL Communications (YTL) will be mandated to purchase the ordinary shares in DNB owned by MoF Inc and take over the MoF Inc loan together with accrued interest. The trio is required to pay RM327.9m per stakeholder by Feb 26, resulting in an effective shareholding of 33.33% each in DNB, up from the current 19.44% stake. We believe CelcomDigi has comfortable headroom to fund the acquisition, in order to honour the shareholders' agreement.

Environmental ☐ Social ☐ Governance (ESG)

Environmental

- Develop a Net Zero 2050 roadmap and set targets aligned with the SBTi by 2025.
- Migration to cloud-based data centres with lower carbon emissions as compared with traditional data centres.
- Optimise energy use of networks by adopting energy efficient hardware and best practices by retiring legacy networks.

Social

- Implemented various social impact programmes (digital inclusion, digital entrepreneurship, and digital skills) and humanitarian efforts.
- Supported the government in delivering JENDELA commitments and reaching out to underserved communities through NaDi internet centres.

Governance

- Achieved 37% of women composition in leadership roles in 2024 with a goal of reaching 40% by 2028.

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	12,679.5	12,195.1	12,228.1	12,319.8
EBITDA	6,158.8	5,662.1	5,799.7	6,212.8
Deprec. & amort.	3,151.0	2,737.7	2,556.8	2,690.2
EBIT	2,648.5	2,924.5	3,242.9	3,522.7
Total other non-operating income	(900.2)	(485.6)	(510.2)	(516.3)
Net interest income/(expense)	1,748.3	2,438.8	2,732.7	3,006.3
Pre-tax profit	(346.4)	(682.9)	(655.8)	(721.5)
Tax	(12.2)	(12.2)	(12.2)	(12.2)
Net profit	1,389.7	1,743.8	2,064.6	2,272.6
Net profit (adj.)	1,749.0	1,743.8	2,064.6	2,272.6

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,594.3	5,685.9	4,963.3	4,251.5
Other LT assets	25,619.4	25,619.4	25,619.4	25,619.4
Cash/ST investment	237.3	837.5	1,878.3	3,209.4
Other current assets	3,624.2	4,324.8	4,334.1	4,360.0
Total assets	36,075.2	36,467.6	36,795.1	37,440.3
ST debt	1,860.3	1,360.3	860.3	360.3
Other current liabilities	5,168.8	5,079.3	4,890.9	4,519.8
LT debt	11,189.2	12,189.2	13,189.2	14,189.2
Other LT liabilities	1,668.0	1,646.7	1,658.9	2,171.0
Shareholders' equity	16,188.9	16,192.1	16,195.9	16,200.0
Minority interest	114.3	114.3	114.3	114.3
Total liabilities & equity	36,075.2	36,467.6	36,795.1	37,440.3

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	4,219.2	4,189.1	4,946.1	5,094.3
Pre-tax profit	1,748.3	2,438.8	2,732.7	3,006.3
Tax	(346.4)	(682.9)	(655.8)	(721.5)
Deprec. & amort.	3,151.0	2,737.7	2,556.8	2,690.2
Associates	316.0	-	-	-
Working capital changes	674.8	(790.1)	(197.7)	(397.0)
Other operating cashflows	(1,324.5)	485.6	510.2	516.3
Investing	(2,245.4)	(1,716.4)	(1,723.5)	(1,351.2)
Capex (maintenance)	(2,372.0)	(1,829.3)	(1,834.2)	(1,478.4)
Proceeds from sale of assets	-	-	-	-
Others	126.6	112.8	110.7	127.2
Financing	(2,167.1)	(1,839.1)	(2,181.9)	(2,412.0)
Dividend payments	(1,654.1)	(1,740.6)	(2,060.9)	(2,268.5)
Issue of shares	-	-	-	-
Proceeds from borrowings	88.8	500.0	500.0	500.0
Others/interest paid	(601.7)	(598.5)	(621.0)	(643.5)
Net cash inflow (outflow)	(193.3)	633.6	1,040.8	1,331.1
Beginning cash & cash equivalent	397.0	203.9	837.5	1,878.3
Changes due to forex impact	0.1	-	-	-
Ending cash & cash equivalent	203.9	837.5	1,878.3	3,209.4

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	48.6	46.4	47.4	50.4
Pre-tax margin	13.8	20.0	22.3	24.4
Net margin	13.8	14.3	16.9	18.4
ROA	4.8	4.8	5.6	6.1
ROE	10.8	10.8	12.7	14.0
Growth				
Turnover	(0.0)	(3.8)	0.3	0.8
EBITDA	(1.0)	(8.1)	2.4	7.1
Pre-tax profit	(19.8)	39.5	12.0	10.0
Net profit	(10.4)	25.5	18.4	10.1
Net profit (adj.)	12.7	(0.3)	18.4	10.1
EPS	12.7	(0.3)	18.4	10.1
Leverage				
Debt to total capital	44.9	45.1	45.3	44.7
Debt to equity	80.6	83.7	86.7	89.8
Net debt/(cash) to equity	79.1	78.5	75.2	70.0
Interest cover (x)	4.3	4.1	4.4	4.6

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